



MUNISIPALITEIT SIYATHEMBA MUNICIPALITY



ANNUAL BUDGET

2018/2019 to 2020/2021

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MEDIUM TERM REVENUE & EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	Municipality Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Budget 2018/19

1.1 Mayor's Report

See attached Mayors Speech [only in final budget

1.2 Council Resolutions

On 29 May 2018 the Council of Siyathemba Local Municipality met in Council Chambers Siyathemba Municipality in Prieska to consider the final budget of the municipality for the financial year 2018/19. The Council approved and adopted the following resolutions:

1. The Council of Siyathemba Municipality Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The draft annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 .
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 23
 - 1.2.2. Budgeted Cash Flows as contained in Table 24
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25;
 - 1.2.4. Asset management as contained in Table 26; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27.
2. The Council of Siyathemba Municipality Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018:
 - 2.1. the tariffs for property rates – as set out in Annexure B,
 - 2.2. the tariffs for electricity – as set out in Annexure B
 - 2.3. the tariffs for the supply of water – as set out in Annexure B
 - 2.4. the tariffs for sanitation services – as set out in Annexure B
 - 2.5. the tariffs for solid waste services – as set out in Annexure B

3. The Council of Siyathemba Municipality Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016 the tariffs for other services, as set out in Annexure G1 to G21 respectively.
4. To give proper effect to the municipality's annual draft budget, the Council of Siyathemba Municipality Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, overseas and national travel, accommodation, and catering.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circulars No. 89 and 91 were used to guide the compilation of the 2018/19 MTREF.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;

- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2018/19 MTREF process; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- The 2017/18 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/19 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2018/19 MTREF

R Thousand	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Total Operating Revenue	R 108 205 000	R 118 157 000	R 132 011 000
Total Operating Expenditure	R 108 584 000	R 116 184 000	R 124 317 000
Surplus / (Deficit)	(R 378 000)	R 1 972 000	R 7 693 000
Total Capital Expenditure	R 18 324 000	R 13 029 000	R 13 321 000
Surplus / (Deficit) after capital transfers and contributions	R17 946 000	R 15 001 000	R 21 014 000

Total operating revenue for the two outer years, operational revenue will increase by R 9.95 million and by R 23.81 million respectively.

Total operating expenditure for the 2018/19 financial year has been appropriated at R108 million and translates into a budgeted surplus of R17.95 million. When compared to the 2017/18 Budget, operational expenditure has grown by 6 per cent in the 2018/19 budget. The operating surplus for the two outer years decreased to R 15 million and then increased R 21,01 million.

The capital budget increase to R18,32 million for 2018/19 when compared to the 2017/18 Budget. All capital over the MTREF will be financed by Grants from National and Provincial government. Note that the Municipality has reached its prudential borrowing limits and so there is very little scope to substantially increase these borrowing levels over the medium-term. The

repayment of capital and interest (debt services costs) has remained the same and will continue over the next five years due to new loans taken up in the past year, as a result of the need to replace specialised vehicles needed to meet the increased demand in services to be delivered. Consequently, the capital budget remains relatively flat over the medium-term.

1.4 Operating Revenue Framework

For Siyathemba Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 70% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		-	-	-	-	-	-	44,820	47,957	51,314
Executive and council		-	-	-	-	-	-	994	1,063	1,138
Finance and administration		-	-	-	-	-	-	43,826	46,894	50,176
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	4,387	3	3
Community and social services		-	-	-	-	-	-	4,387	3	3
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	10	11	11
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	10	11	11
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	77,309	82,721	88,511
Energy sources		-	-	-	-	-	-	25,742	27,544	29,472
Water management		-	-	-	-	-	-	23,815	25,482	27,266
Waste water management		-	-	-	-	-	-	18,892	20,214	21,629
Waste management		-	-	-	-	-	-	8,860	9,480	10,144
<i>Other</i>	4	-	-	-	-	-	-	3	3	3
Total Revenue - Functional	2	-	-	-	-	-	-	126,529	130,695	139,844
Expenditure - Functional										
<i>Governance and administration</i>		-	-	-	-	-	-	37,007	39,597	42,369
Executive and council		-	-	-	-	-	-	9,802	10,488	11,222
Finance and administration		-	-	-	-	-	-	27,205	29,110	31,147
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	4,278	4,578	4,898
Community and social services		-	-	-	-	-	-	1,740	1,862	1,992
Sport and recreation		-	-	-	-	-	-	2,497	2,672	2,859
Public safety		-	-	-	-	-	-	34	36	39
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	8	8	9
<i>Economic and environmental services</i>		-	-	-	-	-	-	9,340	9,994	10,693
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	9,340	9,994	10,693
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	39,663	42,440	45,411
Energy sources		-	-	-	-	-	-	24,318	26,020	27,842
Water management		-	-	-	-	-	-	6,098	6,525	6,982
Waste water management		-	-	-	-	-	-	5,549	5,938	6,353
Waste management		-	-	-	-	-	-	3,698	3,957	4,234
<i>Other</i>	4	-	-	-	-	-	-	18,295	19,576	20,946
Total Expenditure - Functional	3	-	-	-	-	-	-	108,584	116,184	124,317
Surplus/(Deficit) for the year		-	-	-	-	-	-	17,945	14,511	15,526

Table 3 Percentage growth in revenue by main revenue source

Description		Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source												
Property rates	2		7,960	9,195	11,777	18,007	18,097	-	-	19,209	20,554	21,992
Service charges - electricity revenue	2		13,768	6,875	18,014	21,900	16,948	-	-	18,053	19,317	20,669
Service charges - water revenue	2		9,171	12,769	13,777	18,637	11,143	-	-	13,335	14,268	15,267
Service charges - sanitation revenue	2		3,226	7,707	8,333	14,466	4,111	-	-	4,377	4,683	5,011
Service charges - refuse revenue	2		1,245	3,112	3,400	5,931	1,584	-	-	1,817	2,010	2,150
Service charges - other						2,703	2,724			-	-	-
Rental of facilities and equipment			782	866	765	18,462	7,812			12,826	17,315	23,375
Interest earned - external investments			104	1,491	1,799	50	5			4	4	5
Interest earned - outstanding debtors			1,207	-		1,301	1,458			1,596	1,708	1,827
Dividends received			-	-			-			-	-	-
Fines, penalties and forfeits			34	94	14	11	5			13	14	15
Licences and permits			0	0	703	1	0			1,127	1,206	1,291
Agency services			1,085	1,181	431	412	412			-	-	-
Transfers and subsidies			25,976	28,211	29,537	35,006	38,076			34,353	35,478	38,696
Other revenue	2		2,089	519	442	-	-	-	-	1,496	1,600	1,712
Gains on disposal of PPE							-					
Total Revenue (excluding capital transfers and contributions)			66,647	72,020	88,992	136,887	102,373	-	-	108,205	118,157	132,011
Expenditure By Type												
Employee related costs	2		31,696	35,591	38,242	50,269	39,636	-	-	44,163	47,255	50,562
Remuneration of councillors			2,457	3,170	2,835	3,631	3,836			3,112	3,330	3,563
Debt impairment	3		6,544	8,929	10,822	4,387	4,387			7	8	8
Depreciation & asset impairment	2		16,052	25,037	39,220	14,685	16,084	-	-	15,584	16,675	17,842
Finance charges			503	1,590	2,784	-	-			1,442	1,543	1,651
Bulk purchases	2		14,623	22,564	19,186	21,414	21,414	-	-	20,075	21,480	22,984
Other materials	8		-	2,830	3,015	-	-					
Contracted services			3,146	4,001	4,853	6,171	9,966	-	-	14,107	15,094	16,151
Transfers and subsidies			56	-	10,617	-	-	-	-	1,687	1,805	1,932
Other expenditure	4, 5		11,921	8,932	11,931	13,906	14,344	-	-	8,406	8,995	9,625
Loss on disposal of PPE			-	-		-	-					
Total Expenditure			86,998	112,645	143,505	114,463	109,667	-	-	108,584	116,184	124,317
Surplus/(Deficit)			(20,351)	(40,625)	(54,513)	22,425	(7,294)	-	-	(378)	1,972	7,693
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			13,053	15,855	14,267	10,225	20,346			18,324	13,029	13,321
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)												
Surplus/(Deficit) after capital transfers & contributions			(7,298)	(24,770)	(40,246)	32,650	13,052	-	-	17,946	15,001	21,014
Taxation												
Surplus/(Deficit) after taxation			(7,298)	(24,770)	(40,246)	32,650	13,052	-	-	17,946	15,001	21,014
Attributable to minorities												
Surplus/(Deficit) attributable to municipality			(7,298)	(24,770)	(40,246)	32,650	13,052	-	-	17,946	15,001	21,014
Share of surplus/ (deficit) of associate	7											
Surplus/(Deficit) for the year			(7,298)	(24,770)	(40,246)	32,650	13,052	-	-	17,946	15,001	21,014

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than half of the total revenue mix. In the 2018/19 financial year, revenue from rates and services charges will total R56.8 million. This increases to R60.8 million, R65.1 million in the respective financial years of the MTREF. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1.

Refuse is the smallest revenue source from services totalling R1.8 million rand and increases to R2.1 million by 2020/21. The smallest source is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R34.35 million in the 2018/19 financial year and steadily increases to R38.62 million by 2020/21.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		-	-	-	-	-	-	32,263	35,478	38,696
Local Government Equitable Share								29,848	32,598	35,384
Finance Management								2,415	2,880	3,312
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	2,090	1,145	1,202
Sport and Recreation								1,090	1,145	1,202
Expanded Public Works Programme Grant								1,000		
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	-	-	-	-	-	-	34,353	36,623	39,898
Capital Transfers and Grants										
National Government:		-	-	-	-	-	-	10,824	13,029	13,321
Municipal Infrastructure Grant (MIG)								9,724	9,829	10,121
Integrated National Electrification Grant								1,100	3,200	3,200
Provincial Government:		-	-	-	-	-	-	7,500	-	-
Water Services Infrastructure Grant								7,500		
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	-	-	-	-	-	-	18,324	13,029	13,321
TOTAL RECEIPTS OF TRANSFERS & GRANTS		-	-	-	-	-	-	52,677	49,652	53,219

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's

inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 91 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- 55 percent rebate will be granted on all state owned properties
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.

- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rateable properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

Table 5 Comparison of proposed rates to be levied for the 2017/18 financial year

Category	Current Tariff	Proposed tariff
	(1 July 2017)	(from 1 July 2018)
	C	C
Residential properties	0.02592858252	0.02213976061
State owned properties	0.04521330539	0.02913170982
Business & Commercial	0.03371106661	0.02172061967
Agricultural	0.000621	0.00063

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2015.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

A tariff increase of 6 per cent from 1 July 2018 for water is proposed. This is based on input cost of inputs increasing by 6 per cent.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 5 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2017/18	PROPOSED TARIFFS 2018/19
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
(i) 0 to 6 kℓ	6,20	5,85
(ii) 7 to 12 kℓ	6,89	6,50
(iii) 13 to 50 kℓ	7,69	7,25
(iv) 51 to 150 kℓ	8,90	8,40
(iv) +150 kℓ	10,65	10,05

The tariff structure of the 2018/19 financial year has been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing as consumption increases.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. An seven per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2018.

Registered indigents will again be granted 50 kWh per 30-day period free of charge

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 2018 is proposed. This is based on the input cost assumptions related to water. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the type of consumer and the level of service provided as indicated in the table below;

- Free sanitation will be applicable to registered indigents; and
The total revenue expected to be generated from rendering this service amounts to R4.377 million for the 2018/19 financial year.

The following table compares the current and proposed tariffs:

Table 6 Comparison between current sanitation charges and increases

DESCRIPTION	2018/2019	2018/2019	% Verhoging	2017/2018	2017/2018
	VAT INCLUSIVE	Tariff		VAT INCLUSIVE	Tariff
Sewerage Tariff					
Site Improvement (Households)	R273,40	R237,76	6%	R255,70	R224,30
Church, church halls, Sport and welfare	R182,30	R158,58	6%	R170,54	R149,60
Business	R430,40	R374,34	6%	R402,59	R353,15
Business -Extra toilet	R128,60	R111,83	6%	R120,27	R105,50
Unimproved government sites	R1 449,20	R1 260,18	6%	R1 355,29	R1 188,85
Contractors	R904,80	R786,84	6%	R846,22	R742,30

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a small surplus. The main contributors to expenditure are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2018. Higher increases will not be viable in 2018/19 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2018:

Table 7 Comparison between current waste removal fees and increases

DESCRIPTION	2018/2019	2018/2019	% Verhoging	2017/2018	2017/2018
	VAT INCLUSIVE	Tariff		VAT INCLUSIVE	Tariff
Refuse					
Per standard Container per month					
Prieska	R94,60	R82,31	6%	R88,52	R77,65
Marydale	R94,60	R82,31	6%	R88,52	R77,65
Niekerkshoop	R94,60	R82,31	6%	R88,52	R77,65

1.4.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to a maximum percentage of 6%.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure:

Table 8 Summary of operating revenue and expenditure by standard classification item

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands										
Financial Performance										
Property rates	7,960	9,195	11,777	18,007	18,097	-	-	19,209	20,554	21,992
Service charges	27,410	30,463	43,523	63,637	36,509	-	-	37,581	40,278	43,097
Investment revenue	104	1,491	1,799	50	5	-	-	4	4	5
Transfers recognised - operational	25,976	28,211	29,537	35,006	38,076	-	-	34,353	35,478	38,696
Other own revenue	5,197	2,660	2,356	20,187	9,686	-	-	17,058	21,843	28,221
Total Revenue (excluding capital transfers and contributions)	66,647	72,020	88,992	136,887	102,373	-	-	108,205	118,157	132,011
Employee costs	31,696	35,591	38,242	50,269	39,636	-	-	44,163	47,255	50,562
Remuneration of councillors	2,457	3,170	2,835	3,631	3,836	-	-	3,112	3,330	3,563
Depreciation & asset impairment	16,052	25,037	39,220	14,685	16,084	-	-	15,584	16,675	17,842
Finance charges	503	1,590	2,784	-	-	-	-	1,442	1,543	1,651
Materials and bulk purchases	14,623	25,395	22,201	21,414	21,414	-	-	20,075	21,480	22,984
Transfers and grants	56	-	10,617	-	-	-	-	1,687	1,805	1,932
Other expenditure	21,612	21,862	27,606	24,464	28,697	-	-	22,520	24,097	25,784
Total Expenditure	86,998	112,645	143,505	114,463	109,667	-	-	108,584	116,184	124,317
Surplus/(Deficit)	(20,351)	(40,625)	(54,513)	22,425	(7,294)	-	-	(378)	1,972	7,693
Transfers and subsidies - capital (monetary allocation)	13,053	15,855	14,267	10,225	20,346	-	-	18,324	13,029	13,321
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(7,298)	(24,770)	(40,246)	32,650	13,052	-	-	17,946	15,001	21,014
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(7,298)	(24,770)	(40,246)	32,650	13,052	-	-	17,946	15,001	21,014
Capital expenditure & funds sources										
Capital expenditure	12,800	2,411	6,283	9,300	10,121	-	-	18,324	13,029	13,321
Transfers recognised - capital	12,729	2,016	6,283	9,300	10,121	-	-	18,324	13,029	13,321
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	70	396	-	-	-	-	-	-	-	-
Total sources of capital funds	12,800	2,411	6,283	9,300	10,121	-	-	18,324	13,029	13,321
Financial position										
Total current assets	13,946	19,264	11,596	19,609	43,059	-	-	11,157	15,746	27,653
Total non current assets	468,439	446,623	576,484	433,320	433,320	-	-	426,268	437,287	448,383
Total current liabilities	34,524	54,636	62,527	43,712	40,353	-	-	37,549	33,794	30,414
Total non current liabilities	18,405	17,165	19,809	20,744	20,744	-	-	21,172	21,772	22,523
Community wealth/Equity	429,457	394,085	505,743	388,473	415,282	-	-	378,704	397,468	423,099
Cash flows										
Net cash from (used) operating	16,925	15,150	(859)	9,447	20,155	-	-	19,920	19,237	26,072
Net cash from (used) investing	(12,795)	(11,371)	(4,416)	(9,920)	(20,041)	-	-	(17,577)	(12,282)	(12,574)
Net cash from (used) financing	(616)	(341)	(1,886)	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	2,910	6,348	(2,316)	(473)	114	-	-	2,344	9,299	22,797
Cash backing/surplus reconciliation										
Cash and investments available	2,910	6,348	(2,316)	1,252	1,252	-	-	2,344	9,299	22,797
Application of cash and investments	24,317	41,043	48,503	33,419	(33,106)	41,721	-	30,115	28,394	26,333
Balance - surplus (shortfall)	(21,407)	(34,695)	(50,818)	(32,166)	34,358	(41,721)	-	(27,771)	(19,094)	(3,536)
Asset management										
Asset register summary (WDV)	467,191	465,342	516,819	-	-	-	-	450,153	461,043	472,023
Depreciation	16,052	25,037	39,220	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	3,015	-	-	-	-	-	-	-
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	(11,697)	11,416	-	12,281	12,281	13,108	14,025
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

The fact that a settlement has not been reached by the SALGBC parties in the salary dispute resulted in an uncertainty on this area of expenditure. It should be noted that the total financial

implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalised.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from DWAF. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited indicating that significant cost savings have been already realised.

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2018/19 budget and MTREF provide for extensive growth in the area of asset repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational

During the compilation of the 2018/19 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 9 Repairs and maintenance per asset class:

Description R thousand	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2

									2020/21
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>									
-									
<u>Infrastructure</u>	-	-	3 015	-	-	-	-	-	-
Roads Infrastructure	-	-	3 015	-	-	-	-	-	-
Roads		-	3 015						
Road Structures									
Road Furniture									
Capital Spares									
Storm water Infrastructure	-	-	-	-	-	-	-	-	-
Drainage Collection									
Storm water									
Conveyance									
Attenuation									
Electrical Infrastructure	-	-	-	-	-	-	-	-	-
Power Plants									
HV Substations									
HV Switching									
Station									
HV Transmission									
Conductors									
MV Substations									
MV Switching									
Stations									
MV Networks									
LV Networks									
Capital Spares									
Water Supply Infrastructure	-	-	-	-	-	-	-	-	-
Dams and Weirs									
Boreholes									
Reservoirs									
Pump Stations									
Water Treatment									
Works									
Bulk Mains									
Distribution									
Distribution Points									
PRV Stations									
Capital Spares									
Sanitation Infrastructure	-	-	-	-	-	-	-	-	-
Pump Station									
Reticulation									
Waste Water									
Treatment Works									
Outfall Sewers									
Toilet Facilities									
Capital Spares									
Solid Waste Infrastructure	-	-	-	-	-	-	-	-	-

Landfill Sites									
Waste Transfer Stations									
Waste Processing Facilities									
Waste Drop-off Points									
Waste Separation Facilities									
Electricity Generation Facilities									
Capital Spares									
Rail Infrastructure	-	-	-	-	-	-	-	-	-
Rail Lines									
Rail Structures									
Rail Furniture									
Drainage Collection Storm water Conveyance									
Attenuation									
MV Substations									
LV Networks									
Capital Spares									
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
Sand Pumps									
Piers									
Revetments									
Promenades									
Capital Spares									
Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
Data Centres									
Core Layers									
Distribution Layers									
Capital Spares									
Community Assets	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-
Halls									
Centres									
Crèches									
Clinics/Care Centres									
Fire/Ambulance Stations									
Testing Stations									
Museums									
Galleries									
Theatres									
Libraries									
Cemeteries/Crematoria									
Police									
Parks									

Public Open Space									
Nature Reserves									
Public Ablution									
Facilities									
Markets									
Stalls									
Abattoirs									
Airports									
Taxi Ranks/Bus									
Terminals									
Capital Spares									
Sport and Recreation									
Facilities	-	-	-	-	-	-	-	-	-
Indoor Facilities									
Outdoor Facilities									
Capital Spares	1	1	1	1	1	1	1	1	1
Heritage assets	-	-	-	-	-	-	-	-	-
Monuments									
Historic Buildings									
Works of Art									
Conservation Areas									
Other Heritage									
Investment properties	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Improved Property									
Unimproved									
Property									
Non-revenue									
Generating	-	-	-	-	-	-	-	-	-
Improved Property									
Unimproved									
Property									
Other assets	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	-	-	-	-	-	-
Municipal Offices									
Pay/Enquiry Points									
Building Plan									
Offices									
Workshops									
Yards									
Stores									
Laboratories									
Training Centres									
Manufacturing Plant									
Depots									
Capital Spares									
Housing	-	-	-	-	-	-	-	-	-
Staff Housing									
Social Housing									
Capital Spares									

<u>Biological or Cultivated Assets</u>	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets									
<u>Intangible Assets</u>	-	-	-	-	-	-	-	-	-
Servitudes									
Licences and Rights	-	-	-	-	-	-	-	-	-
Water Rights									
Effluent Licenses									
Solid Waste Licenses									
Computer Software and Applications									
Load Settlement Software Applications									
Unspecified									
<u>Computer Equipment</u>	-	-	-	-	-	-	-	-	-
Computer Equipment									
<u>Furniture and Office Equipment</u>	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment									
<u>Machinery and Equipment</u>	-	-	-	-	-	-	-	-	-
Machinery and Equipment									
<u>Transport Assets</u>	-	-	-	-	-	-	-	-	-
Transport Assets									
<u>Libraries</u>	-	-	-	-	-	-	-	-	-
Libraries									
<u>Zoo's, Marine and Non-biological Animals</u>	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals									
Total Repairs and Maintenance Expenditure	-	-	3 015	-	-	-	-	-	-

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 2800 or more indigent households during the 2018/19 financial year, a process reviewed annually. Detail relating to free services, cost of free basic services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 10 2018/19 Medium-term capital budget per vote

Description R thousand	Medium Term Revenue and Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<u>Capital Expenditure - Functional</u>			
<i>Governance and administration</i>	-	-	-
Executive and council	-	-	-
Finance and administration	-	-	-
Internal audit	-	-	-
<i>Community and public safety</i>	-	-	-
Community and social services	-	-	-
Sport and recreation	-	-	-
Public safety	-	-	-
Housing	-	-	-
Health	-	-	-
<i>Economic and environmental services</i>	9 724	9 829	10 121
Planning and development	-	-	-
Road transport	9 724	9 829	10 121
Environmental protection	-	-	-
<i>Trading services</i>	8 600	3 200	3 200
Energy sources	1 100	3 200	3 200
Water management	7 500	-	-
Waste water management	-	-	-
Waste management	-	-	-
<i>Other</i>	-	-	-
Total Capital Expenditure - Functional	18 324	13 029	13 321
<u>Funded by:</u>			
National Government	10 824	13 029	13 321
Provincial Government	7 500	-	-
District Municipality	-	-	-
Other transfers and grants	-	-	-
Transfers recognised - capital	18 324	13 029	13 321
Public contributions & donations	-	-	-
Borrowing	-	-	-
Internally generated funds	-	-	-
Total Capital Funding	18 324	13 029	13 321

For 2018/19 an amount of R18,324 million has been appropriated for the development of infrastructure which represents 100 per cent of the total capital budget. In the outer years this amount totals R 13,029 million, 100 per cent and R 13,321 million, 100 per cent respectively for each of the financial years.

Total new assets represent 100 per cent or R18,324 million of the total capital budget. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management) on page 36. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

1.7 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/19 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 11 MBRR Table A1 - Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands										
Financial Performance										
Property rates	7,960	9,195	11,777	18,007	18,097	-	-	19,209	20,554	21,992
Service charges	27,410	30,463	43,523	63,637	36,509	-	-	37,581	40,278	43,097
Investment revenue	104	1,491	1,799	50	5	-	-	4	4	5
Transfers recognised - operational	25,976	28,211	29,537	35,006	38,076	-	-	34,353	35,478	38,696
Other own revenue	5,197	2,660	2,356	20,187	9,686	-	-	17,058	21,843	28,221
Total Revenue (excluding capital transfers and contributions)	66,647	72,020	88,992	136,887	102,373	-	-	108,205	118,157	132,011
Employee costs	31,696	35,591	38,242	50,269	39,636	-	-	44,163	47,255	50,562
Remuneration of councillors	2,457	3,170	2,835	3,631	3,836	-	-	3,112	3,330	3,563
Depreciation & asset impairment	16,052	25,037	39,220	14,685	16,084	-	-	15,584	16,675	17,842
Finance charges	503	1,590	2,784	-	-	-	-	1,442	1,543	1,651
Materials and bulk purchases	14,623	25,395	22,201	21,414	21,414	-	-	20,075	21,480	22,984
Transfers and grants	56	-	10,617	-	-	-	-	1,687	1,805	1,932
Other expenditure	21,612	21,862	27,606	24,464	28,697	-	-	22,520	24,097	25,784
Total Expenditure	86,998	112,645	143,505	114,463	109,667	-	-	108,584	116,184	124,317
Surplus/(Deficit)	(20,351)	(40,625)	(54,513)	22,425	(7,294)	-	-	(378)	1,972	7,693
Transfers and subsidies - capital (monetary allocation)	13,053	15,855	14,267	10,225	20,346	-	-	18,324	13,029	13,321
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(7,298)	(24,770)	(40,246)	32,650	13,052	-	-	17,946	15,001	21,014
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(7,298)	(24,770)	(40,246)	32,650	13,052	-	-	17,946	15,001	21,014
Capital expenditure & funds sources										
Capital expenditure	12,800	2,411	6,283	9,300	10,121	-	-	18,324	13,029	13,321
Transfers recognised - capital	12,729	2,016	6,283	9,300	10,121	-	-	18,324	13,029	13,321
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	70	396	-	-	-	-	-	-	-	-
Total sources of capital funds	12,800	2,411	6,283	9,300	10,121	-	-	18,324	13,029	13,321
Financial position										
Total current assets	13,946	19,264	11,596	19,609	43,059	-	-	11,157	15,746	27,653
Total non current assets	468,439	446,623	576,484	433,320	433,320	-	-	426,268	437,287	448,383
Total current liabilities	34,524	54,636	62,527	43,712	40,353	-	-	37,549	33,794	30,414
Total non current liabilities	18,405	17,165	19,809	20,744	20,744	-	-	21,172	21,772	22,523
Community wealth/Equity	429,457	394,085	505,743	388,473	415,282	-	-	378,704	397,468	423,099
Cash flows										
Net cash from (used) operating	16,925	15,150	(859)	9,447	20,155	-	-	19,920	19,237	26,072
Net cash from (used) investing	(12,795)	(11,371)	(4,416)	(9,920)	(20,041)	-	-	(17,577)	(12,282)	(12,574)
Net cash from (used) financing	(616)	(341)	(1,886)	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	2,910	6,348	(2,316)	(473)	114	-	-	2,344	9,299	22,797
Cash backing/surplus reconciliation										
Cash and investments available	2,910	6,348	(2,316)	1,252	1,252	-	-	2,344	9,299	22,797
Application of cash and investments	24,317	41,043	48,503	33,419	(33,106)	41,721	-	30,115	28,394	26,333
Balance - surplus (shortfall)	(21,407)	(34,695)	(50,818)	(32,166)	34,358	(41,721)	-	(27,771)	(19,094)	(3,536)
Asset management										
Asset register summary (WDV)	467,191	465,342	516,819	-	-	-	-	450,153	461,043	472,023
Depreciation	16,052	25,037	39,220	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	3,015	-	-	-	-	-	-	-
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	(11,697)	11,416	-	12,281	12,281	13,108	14,025
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2018/19 the water backlog will have been eliminated.

Table 12 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional										
<i>Governance and administration</i>		-	-	-	-	-	-	44,820	47,957	51,314
Executive and council		-	-	-	-	-	-	994	1,063	1,138
Finance and administration		-	-	-	-	-	-	43,826	46,894	50,176
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	4,387	3	3
Community and social services		-	-	-	-	-	-	4,387	3	3
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	10	11	11
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	10	11	11
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	77,309	82,721	88,511
Energy sources		-	-	-	-	-	-	25,742	27,544	29,472
Water management		-	-	-	-	-	-	23,815	25,482	27,266
Waste water management		-	-	-	-	-	-	18,892	20,214	21,629
Waste management		-	-	-	-	-	-	8,860	9,480	10,144
<i>Other</i>	4	-	-	-	-	-	-	3	3	3
Total Revenue - Functional	2	-	-	-	-	-	-	126,529	130,695	139,844
Expenditure - Functional										
<i>Governance and administration</i>		-	-	-	-	-	-	37,007	39,597	42,369
Executive and council		-	-	-	-	-	-	9,802	10,488	11,222
Finance and administration		-	-	-	-	-	-	27,205	29,110	31,147
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	4,278	4,578	4,898
Community and social services		-	-	-	-	-	-	1,740	1,862	1,992
Sport and recreation		-	-	-	-	-	-	2,497	2,672	2,859
Public safety		-	-	-	-	-	-	34	36	39
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	8	8	9
<i>Economic and environmental services</i>		-	-	-	-	-	-	9,340	9,994	10,693
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	9,340	9,994	10,693
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	39,663	42,440	45,411
Energy sources		-	-	-	-	-	-	24,318	26,020	27,842
Water management		-	-	-	-	-	-	6,098	6,525	6,982
Waste water management		-	-	-	-	-	-	5,549	5,938	6,353
Waste management		-	-	-	-	-	-	3,698	3,957	4,234
<i>Other</i>	4	-	-	-	-	-	-	18,295	19,576	20,946
Total Expenditure - Functional	3	-	-	-	-	-	-	108,584	116,184	124,317
Surplus/(Deficit) for the year		-	-	-	-	-	-	17,945	14,511	15,526

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 4 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water, Waste water and the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 13 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
Revenue by Vote	1									
Vote 1 - Executive and Council		-	-	-	-	-	-	994	1,064	1,138
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Directorate Financial Services		-	-	-	-	-	-	43,018	46,029	49,251
Vote 4 - Directorate Corporate & Community Services		-	-	-	-	-	-	5,198	915	979
Vote 5 - Directorate Infrastructure Services		-	-	-	-	-	-	77,319	82,732	88,523
Vote 6 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-
Vote 7 - ELECTRICITY DISTRIBUTION		-	-	-	-	-	-	-	-	-
Vote 8 - WATER SERVICES		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	-	-	-	-	-	-	126,529	130,739	139,891
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive and Council		-	-	-	-	-	-	25,185	26,948	28,834
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Directorate Financial Services		-	-	-	-	-	-	19,155	20,496	21,930
Vote 4 - Directorate Corporate & Community Services		-	-	-	-	-	-	14,566	15,586	16,677
Vote 5 - Directorate Infrastructure Services		-	-	-	-	-	-	49,178	52,620	56,304
Vote 6 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-
Vote 7 - ELECTRICITY DISTRIBUTION		-	-	-	-	-	-	-	-	-
Vote 8 - WATER SERVICES		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	-	-	-	-	-	-	108,084	115,650	123,745
Surplus/(Deficit) for the year	2	-	-	-	-	-	-	18,445	15,090	16,146

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 14 Surplus/(Deficit) calculations for the trading services

The electricity trading surplus is deteriorating over the 2018/19 MTREF from This is primarily as a result of the high increases in Eskom bulk purchases and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers.

The surplus on the water account remains relatively constant over the MTREF translating into a surplus.

Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, and are not used to cross-subsidise other municipal services.

Table 15 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Revenue By Source											
Property rates	2	7,960	9,195	11,777	18,007	18,097	-	-	19,209	20,554	21,992
Service charges - electricity revenue	2	13,768	6,875	18,014	21,900	16,948	-	-	18,053	19,317	20,669
Service charges - water revenue	2	9,171	12,769	13,777	18,637	11,143	-	-	13,335	14,268	15,267
Service charges - sanitation revenue	2	3,226	7,707	8,333	14,466	4,111	-	-	4,377	4,683	5,011
Service charges - refuse revenue	2	1,245	3,112	3,400	5,931	1,584	-	-	1,817	2,010	2,150
Service charges - other					2,703	2,724			-	-	-
Rental of facilities and equipment		782	866	765	18,462	7,812			12,826	17,315	23,375
Interest earned - external investments		104	1,491	1,799	50	5			4	4	5
Interest earned - outstanding debtors		1,207	-		1,301	1,458			1,596	1,708	1,827
Dividends received		-	-			-			-	-	-
Fines, penalties and forfeits		34	94	14	11	5			13	14	15
Licences and permits		0	0	703	1	0			1,127	1,206	1,291
Agency services		1,085	1,181	431	412	412			-	-	-
Transfers and subsidies		25,976	28,211	29,537	35,006	38,076			34,353	35,478	38,696
Other revenue	2	2,089	519	442	-	-	-	-	1,496	1,600	1,712
Gains on disposal of PPE						-					
Total Revenue (excluding capital transfers and contributions)		66,647	72,020	88,992	136,887	102,373	-	-	108,205	118,157	132,011
Expenditure By Type											
Employee related costs	2	31,696	35,591	38,242	50,269	39,636	-	-	44,163	47,255	50,562
Remuneration of councillors		2,457	3,170	2,835	3,631	3,836			3,112	3,330	3,563
Debt impairment	3	6,544	8,929	10,822	4,387	4,387			7	8	8
Depreciation & asset impairment	2	16,052	25,037	39,220	14,685	16,084	-	-	15,584	16,675	17,842
Finance charges		503	1,590	2,784	-	-			1,442	1,543	1,651
Bulk purchases	2	14,623	22,564	19,186	21,414	21,414	-	-	20,075	21,480	22,984
Other materials	8	-	2,830	3,015	-	-					
Contracted services		3,146	4,001	4,853	6,171	9,966	-	-	14,107	15,094	16,151
Transfers and subsidies		56	-	10,617	-	-	-	-	1,687	1,805	1,932
Other expenditure	4, 5	11,921	8,932	11,931	13,906	14,344	-	-	8,406	8,995	9,625
Loss on disposal of PPE		-	-		-	-					
Total Expenditure		86,998	112,645	143,505	114,463	109,667	-	-	108,584	116,184	124,317
Surplus/(Deficit)		(20,351)	(40,625)	(54,513)	22,425	(7,294)	-	-	(378)	1,972	7,693
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		13,053	15,855	14,267	10,225	20,346			18,324	13,029	13,321
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all)	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(7,298)	(24,770)	(40,246)	32,650	13,052	-	-	17,946	15,001	21,014
Taxation											
Surplus/(Deficit) after taxation		(7,298)	(24,770)	(40,246)	32,650	13,052	-	-	17,946	15,001	21,014
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(7,298)	(24,770)	(40,246)	32,650	13,052	-	-	17,946	15,001	21,014
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(7,298)	(24,770)	(40,246)	32,650	13,052	-	-	17,946	15,001	21,014

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R 108,205 million in 2018/19 and escalates to R 132,7011 million by 2020/21. This represents a year-on-year increase.
2. Revenue to be generated from property rates is R19,2million in the 2018/19 financial year and increases to R21,9 million by 2020/21.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R 37,5 million for the 2018/19 financial year and increasing to R 43,1 million by 2020/21.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real

terms the grants receipts from national government are growing rapidly over the MTREF by the percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.

5. Bulk purchases have significantly increased over the 2018/19 to 2020/21 period escalating from R 20,1 million to R 22,9 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from DWAF.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 16 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Directorate Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Directorate Corporate & Community Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Directorate Infrastructure Services		-	-	-	9,300	-	-	-	18,324	13,029	13,321
Vote 6 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 7 - ELECTRICITY DISTRIBUTION		-	-	-	-	2,500	-	-	-	-	-
Vote 8 - WATER SERVICES		-	-	-	-	7,621	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	9,300	10,121	-	-	18,324	13,029	13,321
Single-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		70	396	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Directorate Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Directorate Corporate & Community Services		4,825	-	6,283	-	-	-	-	-	-	-
Vote 5 - Directorate Infrastructure Services		7,905	2,016	-	-	-	-	-	-	-	-
Vote 6 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 7 - ELECTRICITY DISTRIBUTION		-	-	-	-	-	-	-	-	-	-
Vote 8 - WATER SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		12,800	2,411	6,283	-	-	-	-	-	-	-
Total Capital Expenditure - Vote		12,800	2,411	6,283	9,300	10,121	-	-	18,324	13,029	13,321
Capital Expenditure - Functional											
Governance and administration		70	396	-	-	-	-	-	-	-	-
Executive and council		70	396	-	-	-	-	-	-	-	-
Finance and administration		-	-	-	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		4,234	-	6,283	-	-	-	-	9,724	9,829	10,121
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		4,234	-	6,283	-	-	-	-	9,724	9,829	10,121
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		8,495	2,016	-	9,300	10,121	-	-	8,600	3,200	3,200
Energy sources		590	-	-	-	2,500	-	-	1,100	3,200	3,200
Water management		4,268	-	-	-	7,621	-	-	7,500	-	-
Waste water management		3,637	2,016	-	9,300	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	12,800	2,411	6,283	9,300	10,121	-	-	18,324	13,029	13,321
Funded by:											
National Government		12,729	2,016	6,283	9,300	10,121	-	-	10,824	13,029	13,321
Provincial Government		-	-	-	-	-	-	-	7,500	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	12,729	2,016	6,283	9,300	10,121	-	-	18,324	13,029	13,321
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		70	396	-	-	-	-	-	-	-	-
Total Capital Funding	7	12,800	2,411	6,283	9,300	10,121	-	-	18,324	13,029	13,321

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R18,324 million for the 2018/19 financial year and remains relatively constant over the MTREF at levels of R 13,029 million and R13,321 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. All capital over the MTREF will be financed by Grants from National and Provincial government. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 17 MBRR Table A6 - Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
ASSETS											
Current assets											
Cash		2,910	6,348	3	1,252	1,252			2,344	9,299	22,797
Call investment deposits	1	–	–	–	–	–		–	–	–	–
Consumer debtors	1	5,890	8,829	10,247	10,463	33,912		–	6,801	5,441	4,352
Other debtors		4,568	722	817	4,025	4,025			2,013	1,006	503
Current portion of long-term receivables		2	–	–	–	–					
Inventory	2	575	3,364	530	3,870	3,870					
Total current assets		13,946	19,264	11,596	19,609	43,059	–	–	11,157	15,746	27,653
Non current assets											
Long-term receivables		21	–	–	35	35			–	–	–
Investments		–	–	–	–	–					
Investment property		25,584	22,598	57,004	22,598	22,598			–	–	–
Investment in Associate		–	–	–	–	–					
Property, plant and equipment	3	438,973	421,350	516,819	409,257	409,257		–	426,268	437,287	448,383
Agricultural		1,226	–	–	–	–					
Biological		–	–	–	–	–					
Intangible		1,408	1,430	1,421	1,430	1,430			–	–	–
Other non-current assets		1,226	1,244	1,240	–	–					
Total non current assets		468,439	446,623	576,484	433,320	433,320	–	–	426,268	437,287	448,383
TOTAL ASSETS		482,385	465,886	588,080	452,929	476,379	–	–	437,425	453,033	476,036
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	2,319	–	–					
Borrowing	4	421	356	–	305	305		–	–	–	–
Consumer deposits		647	712	723	805	805					
Trade and other payables	4	32,698	52,836	58,755	41,721	38,361		–	37,549	33,794	30,414
Provisions		757	731	731	882	882					
Total current liabilities		34,524	54,636	62,527	43,712	40,353	–	–	37,549	33,794	30,414
Non current liabilities											
Borrowing		1,091	735	2,628	2,800	2,800		–	2,240	1,792	1,434
Provisions		17,314	16,431	17,181	17,943	17,943		–	18,932	19,979	21,089
Total non current liabilities		18,405	17,165	19,809	20,744	20,744	–	–	21,172	21,772	22,523
TOTAL LIABILITIES		52,928	71,801	82,336	64,456	61,096	–	–	58,721	55,565	52,937
NET ASSETS	5	429,457	394,085	505,743	388,473	415,282	–	–	378,704	397,468	423,099
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		429,457	394,085	505,743	388,473	415,282			378,704	397,468	423,099
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	429,457	394,085	505,743	388,473	415,282	–	–	378,704	397,468	423,099

Explanatory notes to Table A6 - Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- Table 66 is supported by an extensive table of notes a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves

- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 18 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		6,642	52,252	44,571	8,985	12,668			15,367	16,136	17,104
Service charges		21,267	–		37,481	31,641			32,955	34,603	36,679
Other revenue		4,535	–		11,744	11,744			13,966	18,512	24,645
Government - operating	1	25,975	39,516		32,350	32,350			33,363	35,578	38,696
Government - capital	1	12,689	–	28,756	9,920	20,041			18,324	13,029	13,321
Interest		104	1,228	1,799	907	907			–	–	–
Dividends						–			–	–	–
Payments											
Suppliers and employees		(53,727)	(76,584)	(39,831)	(91,940)	(89,196)			(92,613)	(97,106)	(102,768)
Finance charges		(503)	(1,261)	(33,635)					(1,442)	(1,514)	(1,605)
Transfers and Grants	1	(56)	–	(2,519)					–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		16,925	15,150	(859)	9,447	20,155	–	–	19,920	19,237	26,072
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE				364					–	–	–
Decrease (Increase) in non-current debtors		5	–						747	747	747
Decrease (Increase) other non-current receivables									–	–	–
Decrease (Increase) in non-current investments									–	–	–
Payments											
Capital assets		(12,800)	(11,371)	(4,780)	(9,920)	(20,041)			(18,324)	(13,029)	(13,321)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(12,795)	(11,371)	(4,416)	(9,920)	(20,041)	–	–	(17,577)	(12,282)	(12,574)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–	–	–
Borrowing long term/refinancing									–	–	–
Increase (decrease) in consumer deposits		(45)	109						–	–	–
Payments											
Repayment of borrowing		(570)	(450)	(1,886)					–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		(616)	(341)	(1,886)	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		3,514	3,438	(7,161)	(473)	114	–	–	2,344	6,956	13,498
Cash/cash equivalents at the year begin:	2	(604)	2,910	4,845					–	2,344	9,299
Cash/cash equivalents at the year end:	2	2,910	6,348	(2,316)	(473)	114	–	–	2,344	9,299	22,797

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

- The budgeted cash flow statement is the first measurement in determining if the budget is funded.
- It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
- The 2018/19 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Table 19 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	2,910	6,348	(2,316)	(473)	114	-	-	2,344	9,299	22,797
Other current investments > 90 days		0	(0)	0	1,725	1,138	-	-	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		2,910	6,348	(2,316)	1,252	1,252	-	-	2,344	9,299	22,797
Application of cash and investments											
Unspent conditional transfers		-	-	169	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	24,317	41,043	48,334	33,419	(33,106)	41,721	-	30,115	28,394	26,333
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		24,317	41,043	48,503	33,419	(33,106)	41,721	-	30,115	28,394	26,333
Surplus(shortfall)		(21,407)	(34,695)	(50,818)	(32,166)	34,358	(41,721)	-	(27,771)	(19,094)	(3,536)

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 91 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 20 MBRR Table A9 - Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	12,800	2,411	6,283	128,230	-	-	18,324	13,029	13,321
Roads Infrastructure		4,234	-	6,283	41,730	-	-	9,724	9,829	10,121
Storm water Infrastructure		-	-	-	734	-	-	-	-	-
Electrical Infrastructure		590	-	-	15,822	-	-	1,100	3,200	3,200
Water Supply Infrastructure		4,268	-	-	27,159	-	-	7,500	-	-
Sanitation Infrastructure		3,637	2,016	-	23,500	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	193	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		12,729	2,016	6,283	109,138	-	-	18,324	13,029	13,321
Community Facilities		70	-	-	170	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		70	-	-	170	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	11,933	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	11,933	-	-	-	-	-
Biological or Cultivated Assets		-	396	-	-	-	-	-	-	-
Servitudes		-	-	-	26	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	26	-	-	-	-	-
Computer Equipment		-	-	-	1,221	-	-	-	-	-
Furniture and Office Equipment		-	-	-	2,194	-	-	-	-	-
Machinery and Equipment		-	-	-	2,385	-	-	-	-	-
Transport Assets		-	-	-	1,164	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	-	-	-	-	-	-	-	-	-
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	6	-	-	-	-	-	-	-	-	-
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	4,234	-	6,283	41,730	41,730	-	9,724	9,829	10,121
Roads Infrastructure		-	-	-	734	734	-	-	-	-
Storm water Infrastructure		590	-	-	15,822	15,822	-	1,100	3,200	3,200
Electrical Infrastructure		4,268	-	-	27,159	27,159	-	7,500	-	-
Water Supply Infrastructure		3,637	2,016	-	23,500	23,500	-	-	-	-
Sanitation Infrastructure		-	-	-	193	193	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		12,729	2,016	6,283	109,138	109,138	-	18,324	13,029	13,321
Community Facilities		70	-	-	170	170	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		70	-	-	170	170	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	396	-	11,933	11,933	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	396	-	11,933	11,933	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	26	26	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	26	26	-	-	-	-
Computer Equipment		-	-	-	1,221	1,221	-	-	-	-
Furniture and Office Equipment		-	-	-	2,194	2,194	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

Table 21 MBRR Table A10 - Basic Service Delivery Measurement

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets									
<u>Water:</u>									
Piped water inside dwelling	-	-	-	-	-	-	-	-	-
Piped water inside yard (but not in dwelling)	-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	-	-	-	-	-	-	-	-	-
Other water supply (at least min.service level)	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	-	-	-	-	-	-	-	-	-
No water supply	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
Total number of households	-	-	-	-	-	-	-	-	-
<u>Sanitation/sewerage:</u>									
Flush toilet (connected to sewerage)	-	-	-	-	-	-	-	-	-
Flush toilet (with septic tank)	-	-	-	-	-	-	-	-	-
Chemical toilet	-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)	-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-	-	-	-	-	-
Bucket toilet	-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)	-	-	-	-	-	-	-	-	-
No toilet provisions	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
Total number of households	-	-	-	-	-	-	-	-	-
<u>Energy:</u>									
Electricity (at least min.service level)	-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-	-	-	-	-	-
Electricity (< min.service level)	-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-	-	-	-	-	-
Other energy sources	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
Total number of households	-	-	-	-	-	-	-	-	-
<u>Refuse:</u>									
Removed at least once a week	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-	-	-	-	-	-
Removed less frequently than once a week	-	-	-	-	-	-	-	-	-
Using communal refuse dump	-	-	-	-	-	-	-	-	-
Using own refuse dump	-	-	-	-	-	-	-	-	-
Other rubbish disposal	-	-	-	-	-	-	-	-	-

No rubbish disposal	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
Total number of households	-	-	-	-	-	-	-	-	-
<u>Households receiving Free Basic Service</u>									
Water (6 kilolitres per household per month)	-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)	-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)	-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)	-	-	-	-	-	-	-	-	-
<u>Cost of Free Basic Services provided - Formal Settlements (R'000)</u>									
Water (6 kilolitres per indigent household per month)	-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)	-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)	-	-	-	-	-	-	-	-	-
Refuse (removed once a week for indigent households)	-	-	-	-	-	-	-	-	-
<u>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</u>	-	-	-	-	-	-	-	-	-
Total cost of FBS provided	-	-	-	-	-	-	-	-	-
<u>Highest level of free service provided per household</u>									
Property rates (R value threshold)									
Water (kilolitres per household per month)									
Sanitation (kilolitres per household per month)									
Sanitation (Rand per household per month)									
Electricity (kwh per household per month)									
Refuse (average litres per week)									
<u>Revenue cost of subsidised services provided (R'000)</u>									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)									
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)	-	-	-	-	-	-	(0)	(0)	(0)
Water (in excess of 6 kilolitres per indigent household per month)	-	-	-	(3 116)	3 036	-	3 252	3 480	3 723
Sanitation (in excess of free sanitation service to indigent households)	-	-	-	(5 018)	4 774	-	5 104	5 461	5 844
Electricity/other energy (in excess of 50 kwh per indigent household per month)	-	-	-	(1 445)	1 515	-	1 729	1 850	1 979
Refuse (in excess of one removal a week for indigent households)	-	-	-	(2 118)	2 091	-	2 196	2 317	2 479
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
Total revenue cost of subsidised services provided	-	-	-	(11 697)	11 416	-	12 281	13 108	14 025

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
 - a. Water services – backlog is very small and will be eradicated as soon as a provincial Housing project is completed in three years' time. These households are largely found in 'reception areas' and will need to be moved to formal areas so that they can receive services.
 - b. Sanitation services – backlog is very small and will be eradicated as soon as a provincial Housing project is completed in three years' time.
 - c. Electricity services – backlog will be eradicated over the MTREF. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades.
 - d. Refuse services – backlog does not exist at this stage.
3. The budget provides for 2306 households to be registered as indigent in 2018/19, and therefore entitled to receiving Free Basic Services. The number is set to increase to 3800 households given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.

2 Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

TIME SCHEDULE OF KEY DEADLINES Mayor to Table in Council 10 Months Prior to Start of Budget Year		
Month	Municipality SIYANCUMA	Budget Year 2018/2019
	Mayor and Council / Entity Board	Administration - Municipality and Entity
31 July	<p>Mayor begins planning for next three-year budget in accordance with co-ordination role of budget process</p> <p>MFMA s 53</p> <p>Planning includes review of the previous year's budget process and completion of the Budget Evaluation Checklist</p>	<p>Accounting officers and senior officials of municipality and entities begin planning for next three-year budget</p> <p>MFMA s 68, 77</p> <p>Accounting officers and senior officials of municipality and entities review options and contracts for service delivery</p> <p>MSA s 76-81</p>
31 August	<p>Mayor tables in Council a time schedule outlining key deadlines for: preparing, tabling and approving the budget; reviewing the IDP</p> <p>(as per s 34 of MSA) and budget related policies and consultation processes at least 10 months before the start of the budget year.</p> <p>MFMA s 21,22, 23;</p> <p>MSA s 34, Ch 4 as amended</p> <p>Mayor establishes committees and consultation forums for the budget process</p>	
30 September	<p>Council through the IDP review process determines strategic objectives for service delivery and development for next three-year budgets including view of provincial and national government sector and strategic plans</p>	<p>Budget offices of municipality and entities determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives</p> <p>Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity, roads, etc)</p>
31 October		<p>Accounting officer does initial review of national policies and budget plans and potential price increases of bulk resources with function and department officials</p> <p>MFMA s 35, 36, 42; MTBPS</p>
30 November		<p>Accounting officer reviews and drafts initial changes to IDP</p> <p>MSA s 34</p>
31	<p>Council finalizes tariff (rates and service charges)</p>	<p>Accounting officer and senior officials consolidate and prepare proposed budget and plans for next financial year taking into account previous year's performance</p>

December	<p>policies for next financial year</p> <p>MSA s 74, 75</p>	<p>as per audited financial statements</p>
31 January	<p>Entity board of directors must approve and submit proposed budget and plans for next three-year budgets to parent municipality at least 150 days before the start of the budget year</p> <p>MFMA s 87(1)</p>	<p>Accounting officer reviews proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling. (Proposed national and provincial allocations for three years must be available by 20 January)</p> <p>MFMA s 36</p>
28 February	<p>Council considers municipal entity proposed budget and service delivery plan and accepts or makes recommendations to the entity</p> <p>MFMA s 87(2)</p>	<p>Accounting officer finalises and submits to Mayor proposed budgets and plans for next three-year budgets taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report</p> <p>Accounting officer to notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of budget year</p> <p>MFMA s 37(2)</p>
31 March	<p>Entity board of directors considers recommendations of parent municipality and submit revised budget by 22nd of month</p> <p>MFMA s 87(2)</p> <p>Mayor tables municipality budget, budgets of entities, resolutions, plans, and proposed revisions to IDP at least 90 days before start of budget year</p> <p>MFMA s 16, 22, 23, 87; MSA s 34</p> <p>Mid-year Budget and performance Assessment Visit by NT and PT</p>	<p>Accounting officer publishes tabled budget, plans, and proposed revisions to IDP, invites local community comment and submits to NT, PT and others as prescribed</p> <p>MFMA s 22 & 37; MSA Ch 4 as amended</p> <p>Accounting officer reviews any changes in prices for bulk resources as communicated by 15 March</p> <p>MFMA s 42</p> <p>Mid-year Budget and performance Assessment Visit by NT and PT</p>
30 April	<p>Consultation with national and provincial treasuries and finalise sector plans for water, sanitation, electricity etc</p> <p>MFMA s 21</p>	<p>Accounting officer assists the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year</p>
31 May	<p>Public hearings on the budget, and council debate. Council consider views of the local community, NT, PT, other provincial and national organs of state and municipalities. Mayor to be provided with an opportunity to respond to submissions during consultation and table amendments for council consideration. Council to consider approval of budget and plans at least 30 days before start of budget year.</p> <p>MFMA s 23, 24; MSA Ch 4 as amended</p>	<p>Accounting officer assists the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature</p>

	<p>Entity board of directors to approve the budget of the entity not later than 30 days before the start of the financial year, taking into account any hearings or recommendations of the council of the parent municipality</p> <p>MFMA s 87</p> <p>Budget and Benchmark Assessments by PT</p>	<p>Budget and Benchmark Assessments by PT</p>
30 June	<p>Council must approve annual budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year</p> <p>MFMA s 16, 24, 26, 53</p> <p>Mayor must approve SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with s 57(2) of the MSA. Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP. The mayor submits the approved SDBIP and performance agreements to council, MEC for local government and makes public within 14 days after approval.</p> <p>MFMA s 53; MSA s 38-45, 57(2)</p> <p>Council must finalise a system of delegations.</p> <p>MFMA s 59, 79, 82; MSA s 59-65</p>	<p>Accounting officer submits to the mayor no later than 14 days after approval of the budget a draft of the SDBIP and annual performance agreements required by s 57(1)(b) of the MSA.</p> <p>MFMA s 69; MSA s 57</p> <p>Accounting officers of municipality and entities publishes adopted budget and plans</p> <p>MFMA s 75, 87</p>

Abbreviations: **IDP** - Integrated Development Plan; **MFMA** - Local Government: Municipal Finance Management Act, No. 56 of 2003; **MSA** - Local Government: Municipal Systems Act, No. 32 of 2000, as amended; **MTBPS** - National Treasury annual publication, Medium Term Budget and Policy Statement; **NT** - National Treasury; **PT** - Provincial Treasuries; **SDBIP** - Service Delivery and Budget Implementation Plan

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the approved 2018/19 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/18 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2018/19 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
 - Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
 - The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 66 and 67 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2018/19 MTREF as tabled before Council on 26 March 2018 for community consultation will be published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2018/19 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Issues were raised regarding the payment of bonuses to senior managers;
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

Significant changes effected in the final 2018/19 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2018, was factored into the proposed consumer tariffs, applicable from 1 July 2018. This resulted in an increase of six per cent;

- The 2016 Division of Revenue Bill (DORA) grant allocations were finalized and aligned to the gazetted allocations; and
- Funding was allocated to address metering discrepancies and unmetered premises.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);

- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget:

- **Strategies**

2.3 Basic Service delivery and infrastructure development

- To ensure service delivery planning within the municipality by developing all sector plans and thereby ensuring that the residents of the municipality are happy.
- To improve the Operations and Maintenance planning and implementation by aligning O & M Budgeting and implementation

2.4 Public participation and Good Governance

- To ensure good governance by convening regular standing committee meetings of council and ensure MPAC functionality.
- Improve the communication and liaison with communities and stakeholders in order to improve service delivery and harmony in the municipality

2.5 Municipal Institutional Development and Transformation

- To ensure a municipality that is stable and has organisational discipline through the review of the organisational structure, staff establishment, PMS and recruitment and selection strategy of the municipality.
- To improve low staff performance and the misalignment of the organisational structure with the strategic objectives through a wholesale organisational redesign process.
- To improve poor performance and compromised service delivery thereby targeting low skills base within the municipality by developing and implementing a vibrant Workplace Skills Plan.

- To improve the low staff morale and mistrust amongst employees by engaging in a focused employee assistance programme.

2.6 Municipal Financial viability and management

- To ensure that the municipality is self-sustainable and accountable financially by attaining a clean audit.
- To ensure the prudent management of the current asset base and expand the financial assets of the municipality through improved asset management.
- To strengthen the service delivery budget by sourcing extra funds

2.7 Local Economic Development

- To create an economically conducive environment by implementing the LED Strategy of the municipality

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide Municipality planning services; and
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;

- Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective Municipality cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Siyathemba principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
 - Implementing Siyathemba in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2018/19 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

2.8 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

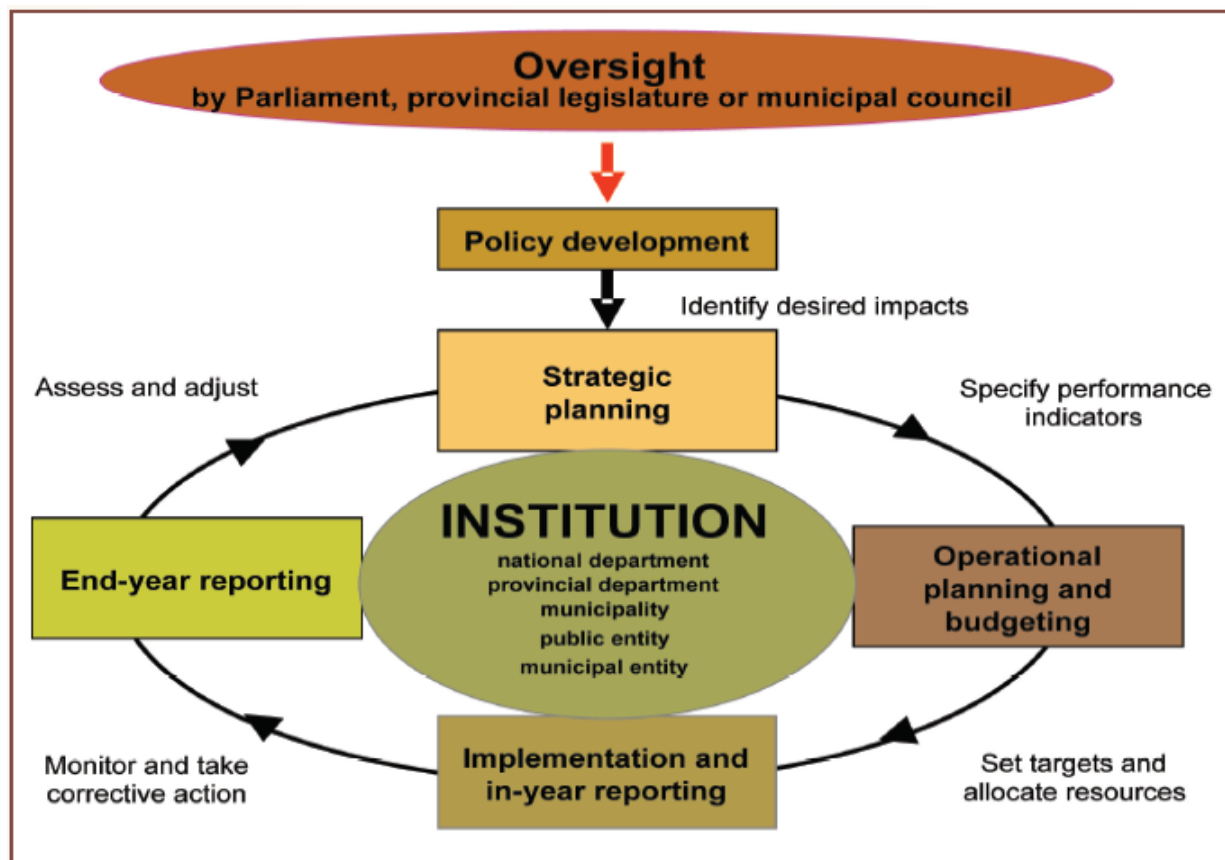


Figure 1 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury

Figure 2 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

The following table sets out the municipalities main performance objectives and benchmarks for the 2018/19 MTREF.

Table 22 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1,2%	1,8%	3,3%	0,0%	0,0%	0,0%	0,0%	1,6%	1,6%	1,6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	2,6%	4,7%	7,9%	0,0%	0,0%	0,0%	0,0%	2,0%	1,9%	1,8%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	0,4	0,4	0,2	0,4	1,1	-	-	0,3	0,4	0,8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0,4	0,4	0,2	0,4	1,1	-	-	0,3	0,4	0,8
Liquidity Ratio	Monetary Assets/Current Liabilities	0,1	0,1	0,0	0,0	0,0	-	-	0,0	0,2	0,7
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		78,9%	131,8%	80,6%	56,9%	81,1%	0,0%	0,0%	86,4%	84,6%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		78,9%	131,8%	80,6%	56,9%	81,1%	0,0%	0,0%	85,1%	83,4%	82,6%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	15,7%	13,3%	12,4%	10,6%	37,1%	0,0%	0,0%	8,3%	5,5%	3,7%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		1123,6%	832,3%	-2456,4%	- 8822,0%	0,0%	0,0%	0,0%	2185,8 %	421,6%	146,1%
<u>Other Indicators</u>											

Electricity Distribution Losses (2)	Total Volume Losses (kW) Total Cost of Losses (Rand '000) % Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ) Total Cost of Losses (Rand '000) % Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	47,6%	49,4%	43,0%	36,7%	38,7%	0,0%	0,0%	41,2%	39,9%	38,2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%		44,1%	42,8%	41,0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0,0%	0,0%	3,4%	0,0%	0,0%	0,0%		0,0%	0,0%	0,0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	24,8%	37,0%	47,2%	10,7%	15,7%	0,0%	0,0%	1,4%	1,3%	1,3%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	24,2	11,9	65,6	112,3	112,3	112,3	-	-	-	-
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	28,9%	23,6%	19,7%	14,5%	60,8%	0,0%	0,0%	12,7%	8,2%	5,5%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0,6	1,0	(0,3)	(0,1)	0,0	-	-	0,2	1,0	2,5

2.8.1 Performance indicators and benchmarks

2.8.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Siyathemba Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2018/19 MTREF:

- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality has reached its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is zero per cent which substantiates the above mentioned statement that the Municipality has reached its prudential borrowing limits.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2018/19MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

2.8.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and overdraft and tax provisions as a percentage of funds and reserves.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves.

2.8.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2018/19 MTREF the current ratio is 0,3 in the 2018/19 financial year.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at

least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

2.8.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

2.8.1.5 Creditors Management

- The Municipality has not managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern.

2.8.1.6 Other Indicators

- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

2.8.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2018/19 financial year 2306 registered indigents have been provided for in the budget with this figured to 2758 by 2020/21. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 50 kwh of electricity, sanitation and free waste removal equivalent to removal once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 44.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.9 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.9.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in 2017 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2018/19 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 75 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, a payment incentive scheme has been implemented and has delivered significant results in the recovery of older debt.

2.9.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.9.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and

adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.9.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 2017. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted in May 2018 and will be effective from 1 July 2018.

2.9.5 Budget Policy

The Budget Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget Policy was approved by Council in 2017 and was amended in respect of both Operating and Capital Budget Fund Transfers.

2.9.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy were amended by Council in May 2011. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

2.9.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

2.9.8 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy have directly informed the compilation of the 2018/19 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);

- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.10 Overview of budget assumptions

2.10.1 External factors

In regional context, this meant that the Siyathemba Municipality contributed 11.9% to the District population (i.e. the second largest Local M in the District by population) and 1.9% to the population of the Northern Cape. The most dominant population group is Coloured. This group represents 80% of the total population in the municipal area. The other groups are black (12%) and white (8%). Afrikaans is the most widely spoken language (78%). There are an insignificant number of people which speaks other languages. A total of 824 people indicated that IsiNdebele is their first language and 91 people speak Setswana.

For all persons aged 15-65, the employment status within the Siyathemba Municipal Area is as follows: 40% is employed, 33% is not economically active, and 23% is unemployed. During 2007, some 5,200 people in Siyathemba received social grants, which accounted for 11.9% of such grants in the District¹⁵. The most popular grant received by dependents in all four regions under observation was the Child Support Grant. In Siyathemba, around 2,600 people received this grant during 2007. In fact, the Child Support Grant made up 50.8% of all Social Grants received in Siyathemba, slightly lower than Pixley ka Seme, Northern Cape and South Africa during 2007. The second most popular Social Grant received by dependents in all four regions was Disability, followed by Old Age Pensions Grants. In Siyathemba, some 1,200 people received a Disability Grant, while about 1,400 received an Old Age Pension Grant during 2007.

2.10.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro-economic targets;

- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 35 per cent of total operating expenditure in the 2018/19 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.10.3 Credit rating outlook

No credit rating have been done by the Municipality

2.10.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for Siyathemba Municipality the 2018/19 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2018/19 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

2.10.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (70 per cent) of annual billings. Cash flow is assumed to be 70 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.10.6 Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.10.7 Salary increases

The collective agreement regarding salaries/wages that will be in operation on 1 July 2017 ends on 30 June 2020. A new agreement has not been reached and a provision of 7 per cent has been made.

2.10.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.10.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 75 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2018/19 MTREF of which performance has been factored into the cash flow budget.

2.11 Overview of budget funding

2.11.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 23 Breakdown of the operating revenue over the medium-term

Description R thousands	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance			
Property rates	19 209 000	20 554 000	21 992 000
Service charges	37 581 000	40 278 000	43 097 000
Investment revenue	4 000	4 000	5 000
Transfers recognised - operational	34 353 000	35 478 000	38 696 000
Other own revenue	15 562 000	20 243 000	26 508 000
Total Revenue (excluding capital transfers and contributions)	106 709 000	116 547 000	130 298 000

Figure 3 Breakdown of operating revenue over the 2018/19 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 70 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Table 24 MBRR SA15 – Detail Investment Information

None

Table 25 MBRR SA16 – Investment particulars by maturity

None

2.11.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2018/19 medium-term capital programme:

Table 26 Sources of capital revenue over the MTREF

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		-	-	-	-	-	-	32,263	35,478	38,696
Local Government Equitable Share								29,848	32,598	35,384
Finance Management								2,415	2,880	3,312
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	2,090	1,145	1,202
Sport and Recreation								1,090	1,145	1,202
Expanded Public Works Programme Grant								1,000		
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	-	-	-	-	-	-	34,353	36,623	39,898
Capital Transfers and Grants										
National Government:		-	-	-	-	-	-	10,824	13,029	13,321
Municipal Infrastructure Grant (MIG)								9,724	9,829	10,121
Integrated National Electrification Grant								1,100	3,200	3,200
Provincial Government:		-	-	-	-	-	-	7,500	-	-
Water Services Infrastructure Grant								7,500		
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	-	-	-	-	-	-	18,324	13,029	13,321
TOTAL RECEIPTS OF TRANSFERS & GRANTS		-	-	-	-	-	-	52,677	49,652	53,219

Figure 4 Sources of capital revenue for the 2018/19 financial year

Capital grants and receipts equate to 100 per cent of the total funding source and continue the same over the MTREF.

The following table is a detailed analysis of the Municipality's borrowing liability.

2.11.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understanding for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue, and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

2.11.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 75 that deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 75 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

2.11.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

2.11.5.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2018/19 MTREF.

2.11.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.11.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.11.5.4 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase. The result is intended to be an approximation of the real increase in revenue. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 10 per cent, with the increase in electricity at 12 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.11.5.5 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. Given that the assumed collection rate was based on a 60 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.11.5.6 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 9.6 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.11.5.7 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.11.5.8 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. Further details relating to the borrowing strategy of the Municipality can be found on page 66.

2.11.5.9 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.11.5.10 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 days.

2.11.5.11 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

2.11.5.12 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

2.12 Expenditure on grants and reconciliations of unspent funds

Table 27 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Non

2.13 Annual budgets and SDBIPs – internal departments

The draft SDBIP is attached

2.14 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.15 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

None

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
3. Audit Committee
An Audit Committee has been established and is fully functional.
4. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2018/19 MTREF in May 2018 directly aligned and informed by the 2018/19 MTREF.
5. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.16 Municipal manager's quality certificate

I IWJ Stadhouer, in my capacity as Municipal Manager of Siyathemba Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Name IWJ Stadhouer

Municipal manager of Siyathemba Municipality (NC077)

Signature

Date
